

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2459 - SB 2398

February 28, 2020

SUMMARY OF BILL: Authorizes certain local governments to add the cost of a criminal background check as a separate fee for certain permit or license applicants, as opposed to including such cost in the application fee for the license or permit.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – \$32,800/FY20-21 and Subsequent Years/TBI

Increase State Expenditures – \$32,800/FY20-21 and Subsequent Years/TBI

Increase Local Revenue –

Exceeds \$400/FY20-21 and Subsequent Years/Permissive

Decrease Local Expenditures –

Exceeds \$3,500/FY20-21 and Subsequent Years/Permissive

Assumptions relative to Adult Oriented Establishments:

- Pursuant to Tenn. Code Ann. § 7-51-1101 through § 7-51-1122, local governments regulating adult oriented establishments (AOEs):
 - Require each person operating an AOE be licensed. License fees are \$500, with an annual renewal fee of \$100;
 - Require each person employed at an AOE to be permitted. Permit fees are \$100, with an annual renewal fee of \$15;
 - If the local regulation prohibits an AOE license or permit applicant from having been convicted of a criminal act, then the local government must conduct a criminal history background check, utilizing the applicant's fingerprints. Costs are incurred by the local government, but may be included as part of any fee charged for processing the applicant's license or permit.
- This analysis assumes the following:
 - Background checks are only conducted with the issuance of a license or a permit;
 - One person will apply for an AOE license statewide, annually;
 - At least 10 people will apply for an AOE permit statewide annually;
 - All regulating local governments currently require nationwide criminal background checks prior to issuance of an AOE license or permit; and
 - All fees associated with such background checks are currently being paid from initial license and permit fees.

- Costs associated with a national criminal background check total \$35.15.
- Under the proposed language, local governments will maintain all revenue associated with license and permit fees; therefore the proposed language will result in a recurring increase in local revenue estimated to exceed \$386.65 [(1 license applicant + 10 permit applicants) x \$35.15].

Assumptions relative to beer permits:

- Pursuant to Tenn. Code Ann. § 57-5-103, local governments may require beer permit applicants to submit to a criminal history background or fingerprint check. Costs are incurred by the local government.
- This analysis assumes the following:
 - There are approximately 400 beer boards statewide, issuing approximately 10,000 new beer permits annually;
 - Only one percent, or 4 (400 beer boards x 1%), of beer boards currently require applicants to submit to a criminal history background check or fingerprint check;
 - Each beer board issues approximately 25 new beer permits annually; and
 - Such local beer boards conduct nationwide fingerprint checks on such applicants.
- As a direct result of the proposed language:
 - Local beer boards which currently pay costs associated with criminal background checks will experience a decrease in local expenditures as such fees will now be paid by applicants;
 - At least 25 percent of, or 99 (396 beer boards not conducting checks x 25%), additional local beer boards will now require criminal background checks as a condition of receiving a beer permit.
- The proposed language will result in an additional 2,475 (99 beer boards x 25 new beer permits per board) national criminal background checks conducted annually.
- Costs associated with a national criminal background check total \$35.15.
- The disbursement of this fee is as follows:
 - Tennessee Bureau of Investigation (TBI): \$13.25;
 - Federal Bureau of Investigation (FBI): \$13.25; and
 - Applicable vendor: \$8.65.
- The proposed language will result in a recurring increase in state revenue to the TBI of \$32,794 (2,475 additional background checks x \$13.25) beginning in FY20-21.
- It is assumed that the cost for the TBI to perform such background checks offsets equally with the revenue collected to perform them; therefore there will be a recurring increase in state expenditures to the TBI of \$32,794 beginning in FY20-21.
- The proposed language will result in a recurring decrease in local expenditures estimated to exceed \$3,515 [(25 background checks x 4 beer boards) x \$35.15] beginning in FY20-21.

Assumptions relative to total impact to state and local government:

- There will be a recurring increase in state revenue to the TBI of \$32,794, beginning in FY20-21.

- There will be a recurring increase in state expenditures to the TBI of \$32,794, beginning in FY20-21.
- There will be a recurring increase in local revenue estimated to exceed \$386.65, beginning in FY20-21.
- There will be a recurring decrease in local expenditures estimated to exceed \$3,515, beginning in FY20-21.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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